



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 1999

### **S. 655**

### **National Salvage Motor Vehicle Consumer Protection Act of 1999**

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation  
on June 23, 1999*

#### **SUMMARY**

The National Salvage Motor Vehicle Consumer Protection Act of 1999 would direct the Department of Transportation (DOT) to establish uniform national standards for titling and registering salvage, nonrepairable, and rebuilt vehicles. If states choose to adopt these standards, they would be eligible to receive incentive grants to help defray the costs of complying. In participating states, civil penalties would be established for individuals who knowingly provide false information on disclosures made pursuant to the bill's provisions, or who violate its vehicle titling and disclosure requirements.

Assuming appropriation of the authorized and estimated amounts, CBO estimates that implementing S. 655 would result in additional discretionary spending of approximately \$16 million over the 2000-2004 period. The legislation could affect direct spending and receipts; therefore, pay-as-you-go procedures would apply. However, CBO estimates that any such effects would be insignificant.

S. 655 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would, however, place additional requirements on states that receive funds authorized in the bill and that participate in the National Motor Vehicle Title Information System (NMVTIS).

The bill would impose private-sector mandates, but CBO estimates that the direct costs of those mandates would not exceed the annual threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in any of the first five years that the mandates are effective.

## **DESCRIPTION OF THE BILL'S MAJOR PROVISIONS**

S. 655 would establish uniform national standards for titling and registering salvage, nonrepairable, and rebuilt vehicles. For states that choose to participate in the National Motor Vehicle Title Information System, the bill specifies information that must be included on a vehicle title and procedures that must be followed to minimize the opportunity for fraud. NMVTIS is an information network that will seek to provide all participants with instant and reliable access to information maintained by the states related to automobile titling.

The legislation would require that all rebuilt salvage vehicles pass a state anti-theft inspection and lists procedures that should be included in this inspection. For those states that choose to require a safety inspection of rebuilt salvage vehicles, S. 655 would direct the Secretary of Transportation to establish uniform national safety inspection criteria. The legislation would establish civil penalties for individuals in participating states who knowingly provide false information on disclosures made pursuant to its provisions, or who violate its vehicle titling and disclosure requirements.

The bill would authorize the appropriation of \$16 million in 2000 for incentive grants to assist states in implementing NMVTIS. These grants would be made to states deemed by the Secretary of Transportation to be taking appropriate actions to implement the provisions of S. 655. (The legislation also would permit the Attorney General to continue making reasonable and necessary grants, as authorized under current law, to participating states to assist them in joining NMVTIS.)

The bill also would require DOT to develop and implement a program to notify motor vehicle dealers and distributors that they are prohibited under current law from selling any new vehicle for use as a schoolbus that does not meet schoolbus safety requirements.

## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

CBO estimates that DOT would spend approximately \$16 million over the 2000-2004 period to implement S. 655, assuming appropriation of the authorized and estimated amounts. The Department of Justice (DOJ) could also incur costs to implement the bill, but CBO expects that they would not be significant. The Anti-Car Theft Improvements Act of 1995 (Public Law 104-152) transferred federal authority over the title information system from the Secretary of Transportation to the Attorney General. Under S. 655, DOJ would retain responsibility for administering and funding NMVTIS at the federal level.

The estimated budgetary impact of S. 655 is shown in the following table. For the purposes of this estimate, CBO assumes that S. 655 will be enacted by the end of fiscal year 1999. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	16	a	a	a	a
Estimated Outlays	a	4	7	3	2

a. Less than \$500,000.

Based on information from DOT, CBO expects that distribution of the incentive grants would not begin until 18 months after enactment of this bill, by which time DOT must finalize a rule governing the uniform standards and control methods. Therefore, we anticipate that disbursement of the grants would begin in the middle of 2001 and continue beyond 2004.

Based on information from DOT, CBO estimates that the total cost of writing the rule that specifies uniform safety provisions for states that choose to require safety inspections would be less than \$100,000. It would cost approximately \$250,000 to determine whether user fees would cover state costs of developing uniform safety and titling provisions and to report the results to the Congress. In addition, DOT expects that it would need to hire one full-time employee to review safety and titling programs of individual states and convey the information to interested parties. The new position would likely be at the GS-15 level, resulting in costs for compensation and expenses totaling about \$500,000 over the 2000-2004 period. The other requirements that this legislation would impose on DOT are likely to have negligible costs. In total, CBO estimates that administrative costs for implementing the bill would be less than \$500,000 a year.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Imposing the new civil fines contained in S. 655 could result in an increase in governmental receipts, but CBO estimates that any such changes would be less than \$500,000 a year.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

S. 655 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. It would, however, place additional requirements on states that choose to accept funds authorized in the bill and participate in the National Motor Vehicle Title Information System. The goal of NMVTIS is to build a national information network that will allow states to share information about motor vehicle titles in order to reduce theft. A state accepting funds authorized by the bill to help it link to the network could face additional costs if its existing regulations and procedures for inspecting and titling salvage, rebuilt, and flood-damaged vehicles differ from the federal standards.

States have varying procedures currently in place for regulating salvage, rebuilt, and flood-damaged vehicles. They would thus face different costs depending on the extent to which they need to modify their systems to conform to the federal standards. Some states would have to pass new laws. For other states, the changes would be mostly administrative and would involve activities such as modifying the position of information on vehicle titles, printing new forms, and adopting changes to definitions and procedures for handling titles. These states would face modest one-time costs to bring their regulations and procedures into conformity.

Costs in states that chose to establish new procedures or systems would be higher and would include both these one-time costs and new annual operating expenses. For example, many states do not issue titles for nonrepairable vehicles and would be required to do so if they participate in NMVTIS. Some states also would have to expand their anti-theft inspection programs to meet the uniform standards. Costs for these states could reach into the millions of dollars.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

S. 655 would impose a new private-sector mandate on sellers of rebuilt salvage vehicles and would change an existing mandate on insurance carriers and on operators of junk yards and salvage yards. Based on information provided by government and industry sources, CBO estimates that the direct costs of those private-sector mandates would not exceed the annual threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in any of the first five years that the mandates are effective. The bill also would impose new requirements on the private sector in states that choose to implement incremental standards and control methods for titling and registering salvage, nonrepairable, and rebuilt vehicles based on the uniform criteria to be established under the bill's guidelines.

S. 655 would require persons transferring ownership of rebuilt salvage vehicles to give the transferee a written disclosure that the vehicle is a rebuilt salvage vehicle, when such person has actual knowledge of the status of the vehicle. Because such a disclosure would most likely be a standardized form, CBO estimates that the costs of this new mandate would be minimal.

S. 655 would modify an existing mandate on insurance carriers and operators of junk yards and salvage yards. Under current law, those entities are required to include an inventory of junk and salvage automobiles in their monthly reports to the operator of the National Motor Vehicle Title Information System. Under S. 655, they would be required to include an inventory of certain flood-damaged, nonrepairable, salvage, and rebuilt salvage vehicles in their reports. The NMVTIS system is in the early stages of development, and the reporting requirements for the private sector have not yet been implemented. Based on information provided by government and industry sources, CBO estimates that the additional direct costs of the revised mandate would be minor.

In addition, the bill outlines certain uniform titling and registration requirements that could affect the private sector in states receiving funds under the federal grant program that would be established by the bill. Currently each state has different procedures in place for regulating salvage and rebuilt vehicles. In states that decide to receive grants and adopt the uniform standards and control methods under the bill, additional requirements could be imposed on the private sector related to the titling and labeling of rebuilt salvage vehicles, the certification of nonrepairable vehicles, the labeling and disclosure of flood-damaged vehicles, and the disclosure of damage to salvage vehicles. Such new requirements implemented by states would impose costs on the private sector, but are not considered federal mandates under UMRA. CBO does not expect the costs to the private sector of such incremental requirements to be significant.

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